

**DRAFT ONLY**

ADMINISTRATION AND FINANCE COMMITTEE

DATE: November 27, 2007

CALLED TO ORDER: 5:07 p.m.

ADJOURNED: 5:44 p.m.

ATTENDANCE

Attending Members

Joanne Sanders, Chair  
Paul Bateman  
Vernon Brown  
Lynn McWhirter  
Jackie Nytes  
Lincoln Plowman

Absent Members

Lance Langsford

AGENDA

PROPOSAL NO. 425, 2007 - urges the Council to consider a reduction in the amount of the property tax levy needed to generate the tax increment replacement amount as determined pursuant to I.C. 6-1.1-21-11(b) in certain tax districts  
"Postpone" until December 11, 2007

Vote 5-0

PROPOSAL NO. 498, 2007 - appropriates \$30,000 in the 2007 Budget of the Perry Township Assessor (County General Fund) due to errors in correctly calculating personal services appropriations  
"Do Pass"

Vote 6-0

End of the Quarter Report on City and County budgets – presented by Robert Clifford, City Controller

## ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, November 27, 2007. Chair Joanne Sanders called the meeting to order at 5:07 p.m. with the following members present: Paul Bateman, Vernon Brown, Lynn McWhirter, and Jackie Nytes. Lincoln Plowman arrived shortly thereafter. Absent was Lance Langsford.

PROPOSAL NO. 425, 2007 - urges the Council to consider a reduction in the amount of the property tax levy needed to generate the tax increment replacement amount as determined pursuant to I.C. 6-1.1-21-11(b) in certain tax districts

Chair Sanders asked the Committee to postpone the proposal to the next meeting. Councillor Brown moved, seconded by Councillor McWhirter, to "Postpone" Proposal No. 425, 2007 until December 11, 2007. The motion carried by a vote of 5-0.

[Clerk's note: Councillor Plowman arrived at 5:08 p.m.]

PROPOSAL NO. 498, 2007 - appropriates \$30,000 in the 2007 Budget of the Perry Township Assessor (County General Fund) due to errors in correctly calculating personal services appropriations

Kathy Price, Perry Township Assessor, distributed a handout (attached as Exhibit A), which illustrates the reasons why the Perry Township Assessor is short in their Character 01 budget. She said that they will not be able to meet payroll until the end of 2007. Ms. Price discussed the points in Exhibit A, and stated that the reference to no surprises refers to not having employees leaving or any additional payouts. She said that she that she will be about \$25,801.08 short for payroll, but she is asking for \$30,000 as a cushion to cover any unforeseen surprises. She said that if there are any additional funds left over, they will go back into the budget.

Chair Sanders asked if the new payment amounts indicated in Exhibit A for health insurance will make up the difference. Ms. Price answered in the affirmative. Jerry Roseberry, Chief Deputy, Perry Township Assessor's Office, said that the insurance amount given was in case of any changes in familial status due to plan changes for the new benefit year.

Councillor Nytes stated that there are several references in Exhibit A to a third pay period, and she asked if knowledge of a third pay is something that can be identified in advance. Bob Clifford, City Controller, said that there is a third pay in November this year. He said that he believes that the budget may have essentially been put together without including the third pay in November. He said that Hope Tribble, Budget Manager, Office of Finance and Management (OFM), has looked over the Perry Township Assessor's budget, and it does appear to be about \$30,000 short. Councillor Nytes asked if the requested amount will cover the third pay. Ms. Price answered in the affirmative. Mr. Clifford said in reference to whether people terminate between now and the end of the year, if someone terminates after December 16, 2007, it would not affect this year's cash budget, because it would be a January 3, 2008 payroll issue.

Chair Sanders said that Exhibit A states that there have been no amounts allotted to give additional payments to employees, and she asked if that suggests that there will not be any bonus payouts given. Ms. Price answered in the affirmative.

Councillor Brown asked Mr. Price how many Full Time Equivalents (FTEs) she has in her office. Ms. Price answered that she has 12 FTEs. Councillor Brown asked if she did not initially budget enough money in her Character 01 to pay her employees for the full year. Ms. Price answered that she did budget enough to pay them. Councillor Brown asked what has caused the shortfall that will also require Ms. Price to return for an additional appropriation in 2008. Mr. Clifford re-stated Councillor Brown's question and stated that there is wage control in which insurance, benefits, and salaries for each employee are anticipated. Mr. Roseberry answered that their office gave \$110,800 of their Character 01 funds back to help other townships and to cover budget shortfalls in County Reassessment funds for 2007. He said that during that time they had two employees that began working at the end of 2006, and they were trying to calculate their budget to cover those costs, but there was honestly not enough to cover the expenses. Mr. Roseberry said that they tried to request the funds for 2008, but they were told that it was too late to correct it, and they would have to come before the Committee to request an appropriation. Councillor Brown said that he understands that sometimes the Controller's Office operates the budget to average out if a department's staff fluctuates, but the Perry Township Assessor's office was under-funded this year and will have the same 12 employees next year. Mr. Clifford said that at this point there is nothing that can be done for the 2008 Budget, except to put it on the "To Do" list for corrections in 2008. He added that it is always easier for a larger department or agency to manage the departure and arrival of new employees, and it is always the smaller departments or agencies that have a problem managing a budget that is contracted the way they are for all smaller agencies, as they tend to run short when there are no vacancies or turnovers during the year.

Councillor Nytes asked if the Perry Township Assessor's Office examined their Characters 02, 03, and 04 to ensure that there are no funds available to transfer to their Character 01. Mr. Clifford answered that there is not much available in any other Character of any of the agencies or departments. He said that there may be some under-spending from other township assessors, but it is easier at this point to appropriate out of fund balance than to take the funds from another agency. Councillor Nytes asked if the other eight township assessor's offices will make it through the remainder of the year with their budgets. Ms. Tribble answered in the affirmative, and stated that some other offices anticipated shortages, but those offices lost staff persons and are therefore all right through the end of the year.

Chair Sanders asked Ms. Price if her Characters 02, 03, and 04 will be all right through the end of the year. Ms. Price answered in the affirmative.

Councillor McWhirter asked if the available fund balance is included in the ordinance. Chair Sanders answered in the affirmative, and stated that the ordinance is simply formatted differently. Ms. Tribble commented that the ordinance indicates that the Fund Balance is \$2.9 million, but that is the projected balance to December 31, 2008. She stated that the projected balance for 2007 is \$6.4 million.

Councillor Nytes moved, seconded by Councillor Bateman, to forward Proposal No. 498, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

End of the Quarter Report on City and County budgets – presented by Robert Clifford, City Controller

Mr. Clifford distributed a handout (attached as Exhibit B) and stated that OFM is working on October's update, but the September End of Quarter report is relevant. He said that Exhibit B is a copy of the spreadsheets that were attached to the report he previously submitted to the Council in October. He said that the most critical information is the 2007 revenues compared to the Budget which indicates that the City was at 62% of its realized revenue at the end of September. Mr. Clifford said that the major shortfall was due to property tax and tax increment financing (TIF), which were significantly short due to the failure of the assessment process. He said that he recently met with the Treasurer and Auditor and it is believed that almost 90% of the 2007 city and county levy will be collected, which will result in the City being significantly short. Chair Sanders added that historically, the City is more toward 95% to 98%. Mr. Clifford said that 90% is still a very rough estimate, and that is high at this point. Councillor McWhirter asked if the 90% is through the end of December or when everything is finally completed. Mr. Clifford answered that it is 85% to 90% through the end of December and approximately 95% to 98% when everything is completed. He said that the 2008 Budget was put together at the 95% realization, as some shortfall was anticipated. Chair Sanders asked what the completion represents. Mr. Clifford answered that everything will be complete once the third reconciliation payment is received. He said that the Tax Anticipation Warrants that are issued will be extended to the anticipated collection date in late April, 2008 when the third reconciliation collection will be received. Mr. Clifford added that he anticipates a significant shortfall in cash flows in 2008 as well, because as the Assessors finish their 2006 pay 2007 work, they will have to immediately complete their 2007 pay 2008 work. Therefore, it is likely that it will be delayed and that tax bills will not be put out on time next year. He said that there will be a proposal before the Council at the next meeting that will discuss the extension of the Tax Anticipation Notes through 2008.

Councillor Nytes asked if there will have to be an additional appropriation for interest payments on the Tax Anticipation Notes. Mr. Clifford answered in the affirmative, and stated that the cost of interest will be the biggest cost. He said that there will also be an ordinance introduced at the next Council meeting to pick up the additional interest that occurred in 2007 because of the delayed cycles that were a result of the property tax issues. Mr. Clifford stated that he believes that these types of problems will be present for approximately 12 to 18 months. Mr. Clifford said that the City actually received more pension relief than anticipated and the courts are doing an excellent job of collecting their fees and fines with their new collection agency. He added that County Option Income Taxes are also being collected as anticipated.

Mr. Clifford said with respect to expenditures in the September quarter, he noted that about 68% of the budget had been spent and another 11% has been reserved for payment of contracts that have already been allowed. He said that he put a comment in the Financial Report was that he felt that the budget looked robust and the City would under-spend the budget. He said that Mayor Peterson asked for significant reductions in spending, and there are reserves in place that have not been

released and the hiring freeze is still in effect. Mr. Clifford said that approximately 100 people have been hired since September, of which 60 to 70 of them were police officers for the new recruit class, 20 for Public Works to help keep the city clean and operational, and a few seasonal or part-time employees were hired for the Parks Department.

Mr. Clifford stated that he previously mentioned that Fleet Services will return to the Council for another appropriation for fuel and it continues to be the bane of the Controller's Office. He said that this factor does positively affect the 2008 Budget or the remainder of the 2007 Budget. Mr. Clifford said that the Police Department will also be coming before the Council for an additional appropriation. Ms. Tribble said that a proposal was submitted for \$7.1 million for the Police Department, of which \$2.5 million will be to cover the new police contract, \$2 million will be to cover overtime expenses, and the remainder is related to supplies and equipment for the new recruit class. She stated that it is proposed that \$2.5 million will come from the Sheriff's budget, so part of the appropriation is an adjustment of the amount that was left in the Sheriff's budget when the two departments were merged.

Chair Sanders asked if adding additional police officers through the recruit class has an immediate impact on the amount of overtime or is overtime something that is rarely eliminated despite the number of staff. Mr. Clifford said that overtime has been at a higher level for at least the last year or two to combat some of the spikes in crime, and it was anticipated that it would not continue at that level but there has been some mandatory overtime that Chief Spears could better explain. Chair Sanders said that more information may be given at the Public Safety meeting. Mr. Clifford said that the new police officers coming from the academy do not do their own shift duty for at least six months. Therefore it takes approximately one year before those officers are on their own and assigned to their own beat.

Councillor Nytes asked if the additional appropriation that is going to be introduced would have been anticipated when there were talks about why the public safety income tax is needed. Mr. Clifford answered in the affirmative, and stated that the Controller's Office has been working with Doug King, the Sheriff's Chief Financial Officer (CFO), on the budget. He said that it was not clear how the administrative functions would be aligned or who was going to control them when the budget was divided between the Sheriff and the Police Department. Originally one recruit class was anticipated in 2007 and that the administrative functions would all go over to the Sheriff's Department, but the Sheriff did that incrementally. Mr. Clifford said that he is referring to Information Technology, Finance, and Purchasing when referencing administrative functions. He said that more expenses were left in the Police Department than anticipated due to those functions being transferred incrementally, and therefore, some of the money is coming out of the Sheriff's Office's budget. Mr. Clifford said that raises were not included in the 2007 Budget and the second recruit class was not anticipated. He said that both recruit classes are relatively large consisting of approximately 76 people, and there typically are about 35 to 50 people. Mr. Clifford said that it was very difficult to break down the Sheriff's Budget, as it had traditionally been managed on a macro level and the City budget is managed on a micro level. He said that trying to identify the specific charges between the Sheriff's Office and the Police Department was difficult. However, he said that he believes that the Indianapolis Metropolitan Police Department's (IMPD) budget will be in pretty good shape going into the 2008 budget.

Mr. Clifford said with respect to the County, he believes that a significant amount of under-spending for 2008 will occur and a \$6 million fund balance is projected. He said that there are some additional revenues from the Public Safety Answering Point, the Clerk's Miscellaneous Fees, and the Coroner have contributed \$500,000 in revenues for charges to outside counties for performing autopsies. He said that this was not included in the previous agreement with the coroner. Mr. Clifford said that he does not suspect that his October report will have any significantly different numbers. He said that he hopes to have that report available to the Committee next week, and he believes that significant under-spending will occur throughout the year. As part of the transition, he said that the Controller's Office is being very restrictive on any new contracts or hires at this point. Mr. Clifford said that there could be some Character 01 problems associated with turnovers in various departments, as there are some departments in which people have served in their positions for many years. Chair Sanders asked if the problems with turnovers would be due to accrued benefits. Mr. Clifford answered that prior to 1995, employees who had accrued vacation and sick time could carry over that time. Then the Accrued Benefit leave was initiated, and it stated that the maximum amount of accrued vacation or sick time that could be carried over is 176 hours. Mr. Clifford said that there are a number of people that would have significant payouts, such as police officers, firefighters, and some people in the administrative offices. Chair Sanders asked where the Coroner's revenue shows up in the budget. Mr. Clifford answered that it appears in the County General Fund.

Councillor Nytes said that there was an earlier discussion with the Treasurer about how the rebate would be handled, and that it would be costly if they had to mail out those rebates. She asked where those expenses would be in the budget. Mr. Clifford said that the Treasurer recently informed him that a bill was introduced in the Senate to allow Marion County to give that rebate as a reduction in the third payment in 2007, and that all Democrats and Republicans in Marion County and the Senate had sponsored that bill, so the Treasurer is hoping to get that authorized. Mr. Clifford said that currently state law requires the Treasurer to do the rebate checks, which he believes the estimated cost to mail those would be \$1 million. He said that whether the checks will have to be mailed or not may not be known until sometime in January.

Mr. Clifford distributed a copy of the Standard and Poor's Ratings Services (S&P) report (attached as Exhibit C). He stated that for the last two years the City has been on a negative outlook because of its imbalance in the revenues and expenses. Shortly after the budget was passed, he and Katie Aeschliman from the Bond Bank traveled to Chicago and met with all three rating agencies. He said that Moody's and Fitch will likely not update the City's rating anytime soon, but S&P affirmed the City's AAA rating, which is the highest potential rating for any city. Mr. Clifford said that there are only five major cities in the United States that carry an AAA rating, and the City should be very proud of this accomplishment. He said that S&P also removed the City's negative outlook because of a passed budget that contained balanced revenues and expenses. Mr. Clifford said that the Controller's Office is very proud, as the City inherited an AAA rating eight years ago, and it has been a significant effort to manage and maintain the rating. He said that it is very important for the City to continue with the AAA rating with respect to being able to perform major projects such as the Convention Center expansion, the Circle City Mall, the Anthem development, the Emmis development, or Tax Warrants.

Chair Sanders asked Mr. Clifford if he knows the identity of the other AAA rated cities. Mr. Clifford answered that they are Dallas, Minneapolis, Charlotte, and Columbus. Chair Sanders said that it would be interesting to see the combined tax rates that helped to determine their funding sources and revenue for those cities. She said that maybe the Star can be convinced to do another comparison. Mr. Clifford said that two of them are fast-growing southern cities, and Minneapolis has always been known as a fairly high tax rate state. He said that he believes that Columbus is very similar to Indianapolis in its competitive nature and how it goes about doing business.

Councillor Nytes said that it would be beneficial to attach this report to everyone's minutes, as she believes that it is really important that everyone has a chance to see this document.

Councillor Brown asked Mr. Clifford what the City's AAA rating means to the citizens. Mr. Clifford said that it means that the City's financial situation, reserves, or fund balances are healthy and that City is viable as far as going forward in doing business, and that the budget is balanced. He said that a balanced budget means that the City has properly matched revenues and expenses, has a low unemployment rate, has a good economic environment, and has a good overall outlook. Councillor Brown said what it would mean if the City had an A rating or an AA rating. Mr. Clifford answered that lower ratings would mean that the City has budgetary problems, would be faced with cutting services out of city government, would have a lower employment rate, and the opportunities in the City would not be as good. Chair Sanders asked if the City had previously dropped from an AAA rating to an AA rating. Mr. Clifford answered that the City's rating dropped with Mooney's and there was a threat the City's rating would also drop with S&P, but S&P put the City on negative outlook first. He said that they have now revised their outlook and given the City an AAA rating. Mr. Clifford said that the report outlines some ongoing issues that the City is still facing with respect to changes in the State Legislation, property taxes, circuit breaker, and other matters such as these.

Councillor Bateman asked what the difference was between last year's budget and this year's budget that allowed the City to receive the AAA rating. Mr. Clifford answered that last year's budget required the City to spend down approximately \$70 million in fund balances and to borrow money to get through the year. The 2008 budget paid back the debt from the previous year and increased the fund balances. Mr. Clifford added that the City has fund balances because it allows the City to pay bills timely and to perform necessary services. This year would have been a catastrophe if the strong fund balances were not available. He said that not all of the fund balances are flush, but because there are other fund balances, the city is able to do inter-fund loans during the year to prop up the ones that do not have available balances. He said this year would have been catastrophic, as the City went all the way to September before receiving any distributions on property taxes. Mr. Clifford said that the city was also able to have inter-fund loans with the county to sustain their budgets as well, so it is very important to maintain that going forward into 2008. As the city becomes more reliant on income taxes, those fund balances are needed to sustain the fluctuations that happen with income. He said that property taxes are a fixed amount that comes in each year, with a 95% to 100% collected each year, but there are wild fluctuations with income taxes.

Councillor McWhirter asked if it is easier for the city to borrow money with lower interest rates when the city has a higher rating. Mr. Clifford answered in the affirmative. Councillor McWhirter stated that that information is good for the constituents to understand. Mr. Clifford said that the city seldom borrows money, except for the Tax Warrants or County Option Income Tax (COIT) notes, with the General Obligation that carries the AAA rating. He said that when a project is done such as the Circle Centre Mall or the Anthem project, the TIF District supports itself. However, it is important to have the backing of the city and the ability to put a moral obligation on one of the TIF bonds provides a huge monetary advantage to the city.

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 5:44 p.m.

Respectfully submitted,

Joanne Sanders, Chair  
Administration and Finance Committee